

Message Text

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TREASURY:FMARESCA (SUB)

S/S -0:AWOTTO

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TO AMEMBASSY LIMA NIACT IMMEDIATE

C O N F I D E N T I A L STATE 175942

FOR THE AMBASSADOR

E.O. 11652: GDS

TAGS: BDIS, EINV, EIND, EMIN, PFOR, PE

SUBJECT: MARCONA - DISCUSSIONS WITH AMBASSADOR GARCIA

-- BEDOYA

REF: LIMA 6427

1. SUMMARY: AMBASSADOR GARCIA BEDOYA CALLED ON DEPT OFFICERS NOON WEDNESDAY TO EXPRESS HOPE THAT USG WOULD QUOTE MAKE A FURTHER EFFORT TO ASSIST PERU'S EFFORTS TO OBTAIN GLOBAL BOP FINANCING PACKAGE, NEGOTIATIONS FOR WHICH ARE NOW REACHING CRITICAL STAGE UNQUOTE, AND TO INVITE UNDER SECRETARY MAW AND US NEGOTIATING TEAM TO COME TO LIMA WEEK OF JULY 19 QUOTE TO REACH A FINAL SETTLEMENT ON MARCONA UNQUOTE. ACCORDING TO GARCIA BEDOYA'S SCENARIO, CONFIDENTIAL

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US AND PERUVIAN COMMISSIONS WOULD MEET JULY 19-20 TO DEFINE

ISSUES, AND MAW AND MINISTERS WOULD SETTLE THEM JULY 21-22.
END SUMMARY.

2. IN UNDER SECRETARY MAW'S ABSENCE, GARCIA BEDOYA AND COUNSELOR RAMOS WERE RECEIVED BY EINAUDI, GANTZ AND MARESCA WHO ALL EXPRESSED DISAPPOINTMENT THAT INVITATION WAS NOT ACCOMPANIED BY GOP COUNTEROFFER, AND UNCERTAINTY THAT USG TEAM COULD RETURN TO LIMA WITHOUT CLEARER INDICATION OF GOP POSITION.

3. GARCIA BEDOYA REPLIED THAT THE JUNE 23 FERNANDEZ MALDONADO LETTER, BECAUSE IT WAS WRITTEN AFTER CONVERSATIONS IN WASHINGTON AND SANTIAGO IMPLICITLY MEANT THAT QUOTE GOP WAS READY TO TALK ON BASIS OF LATEST POSITIONS UNQUOTE. PRESSED FOR DETAILS, HE INDICATED THAT GOP WAS PREPARED TO QUOTE DISCUSS UNQUOTE THE INTER-COMPANY DEBT ISSUE, BUT THAT IT WAS HOLDING TO ITS PREVIOUS POSITION THAT ONLY \$9 MILLION WOULD BE PROVIDED THROUGH FREIGHT CONTRACTS. THIS WAS REASONABLE, HE ADDED, BECAUSE GOP NOW EXPECTED TO PAY MARCONA UPON RECEIPT OF GOP FINANCING, WHICH HE ESTIMATED WOULD BECOME AVAILABLE SO SHORTLY AFTER SETTLEMENT DATE THAT IT WOULD BE VIRTUALLY THE EQUIVALENT OF READY CASH.

4. GARCIA BEDOYA INSISTED ALL DETAILS, INCLUDING COMMERCIAL SECURITY FOR MARCONA IN CASE OF DELAYED PAYMENT, COULD BE SETTLED, BUT QUOTE ONLY IN LIMA UNQUOTE. HE ADDED THAT GOP EXPECTED THIS ROUND TO BE THE LAST ONE, BUT THAT IT ALSO EXPECTED THAT QUOTE UNDER SECRETARY MAW WOULD COME WITH THE FLEXIBILITY TO REACH AN EQUITABLE FINAL SETTLEMENT UNQUOTE.

5. COMMENT: WE RECOGNIZE THE IMPORTANCE OF RESPONSIVENESS AS WELL AS THE POSSIBILITY THAT EVENTS MAY BE COMING TOGETHER IN WAY TO MAKE SETTLEMENT POSSIBLE NEXT WEEK. BUT WE FEEL THAT TO COMMIT OURSELVES IMMEDIATELY TO A FINAL ROUND WITHOUT MORE EXPLICIT INDICATIONS OF ACTUAL GOP POSITION MIGHT LEAD TO (UNWARRANTED) EXPECTATION OF SUBSTANTIAL US CONCESSIONS. (WE WILL WISH TO KNOW RESULTS OF CONFIDENTIAL

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SANTIESTIVAN'S EFFORTS WITH NEW YORK BANK TO OBTAIN GLOBAL FINANCING PACKAGE, WHICH WE UNDERSTAND WILL BE CLARIFIED ON JULY 20.) IN LIGHT OF THESE CONSIDERATIONS, AND OF REFTEL (IN WHICH YOU REPORT POSSIBILITY THAT GOP MAY IN FACT BE PREPARING A COUNTEROFFER), WE ARE DEFERRING FINAL DECISION ON A NEW ROUND PENDING A MEETING FRIDAY BETWEEN MAW AND GARCIA BEDOYA, AT WHICH TIME WE WILL MAKE A FURTHER EFFORT TO DETERMINE EXTENT OF HIS

KNOWLEDGE AND INSTRUCTIONS.

6. ACTION REQUESTED: GARCIA BEDOYA SAID EXPLICITLY THAT HE HAD DISCUSSED THE NEGOTIATIONS FULLY WITH FERNANDEZ MALDONADO, ARIAS, AND DE LA FLOR, AS WELL AS BARUA AND THE GOP COMMISSION, ADDING THAT HE HAD RECHECKED HIS INSTRUCTIONS WITH DE LA FLOR SUNDAY NIGHT BEFORE LEAVING TO ENSURE THAT BOBBIO INCIDENT HAD HAD NO EFFECT ON NEGOTIATION TIME TABLE. WE WOULD NONETHELESS APPRECIATE YOUR JUDGMENT AS TO WHETHER YOU BELIEVE THAT GOP MILITARY DECISION-MAKERS -- GIVEN THEIR OTHER PREOCCUPATIONS -- WILL IN FACT BE ABLE TO FOCUS ON FINAL SETTLEMENT AND ASSUME RESPONSIBILITY FOR IT AT ANY TIME IN NEXT TWO WEEKS. IN ADDITION, WE WOULD APPRECIATE YOUR VIEWS ON HOW TIMING OF A POSSIBLE FINAL ROUND MIGHT BE AFFECTED BY POSSIBLE CABINET CHANGES, JULY 28 FESTIVITIES, OR ANY OTHER CONSIDERATIONS OF WHICH WE MAY BE UNAWARE. KISSINGER

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